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ABSTRACT

This module on owning and operating a bicycle store is one of 36 in a series on entrepreneurship. The introduction tells the student what topics will be covered and suggests other modules to read in related occupations. Each unit includes student goals, a case study, and a discussion of the unit subject matter. Learning activities are divided into individual activities, discussion questions, and a group activity. Units (and subject matter) in this module are Planning Your Business (products, service, customers, and competition; helpful personal qualities; legal requirements); Choosing a Location (customers; competition; personal considerations; specific site); Getting Money to Start (personal backgound information; business description; financial information); Being in Charge (staffing patterns; sales; repair work; hiring and supervising staff; other management tasks); Setting Prices (components of price; establishing a price; customer demand and competition); Advertising and Selling (customer needs; promotion; store appearance); Keeping Financial Records (importance of financial records; sales; credit sales; work orders; daily cash sheet); Buying and Keeping Track of Supplies (inventory selection; suppliers; inventory control and turnover; purchase orders; and Keeping Your Business Successful (profit and personal satisfaction; keeping track of profits; profit/loss statements). A summary and quiz complete the document. (A teacher's guide is available for this module.) (CT)

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Entrepreneurship Training Components

GETTING DOWN TO BUSINESS:

Bicycle Store

Module 10

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GETTING DOWN TO BUSINESS:

Bicycle Store

Barbara Sanderson

April 1981

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INTRODUCTION

How are you going to use your job skills after you finish school?

Have you ever thought about starting your own bicycle store?

This module describes people who have started and managed bicycle stores. It gives you an idea of what they do and some of the special skills they need.

You will read about

- planning a bicycle store
- choosing a location
- getting money to start
- being in charge
- buying and keeping track of supplies
- setting prices
- advertising and selling
- keeping financial records
- keeping your business successful

You will also have a chance to practice some of the things that bicycle store owners do.

Then you will have a better idea of whether a career as a bicycle store owner is for you.

Before you study this module, you might want to read Module 1, Getting Down to Business: What's It All About?

When you finish this module, you might want to read

Module 7, Getting Down to Business: Apparel Store;
Module 8, Getting Down to Business: Specialty Food Store;
Module 12, Getting Down to Business: Business and Personal Service.

These modules are related to other retail businesses.

UNIT 1

Planning a Bicycle Store

Goal: To help you plan your bicycle store.

Objective 1: Describe the products, services, customers, and competition of a bicycle store.

Objective 2: List three helpful personal qualities of the owner of a bicycle store.

Objective 3: List three ways to help your business compete successfully.

Objective 4: List one or more special legal requirements for running a bicycle store.

KEN AND NANCY NAKAMURA PLAN A BICYCLE STORE

Ken and Nancy Nakamura have been married for five years. They want to work together and run a small bicycle store. They have had a dream of running a business together for several years. Now the conditions in their life allow them to do it.

Ken worked in a bicycle store while he was in high school and junior college. He liked the work, especially repairing bikes, but the pay was low, and after college he got a better paying job as a technician for a large company. Ken says, "I enjoyed working in the bike shop more than I like working for my present company. If I own the bike store, I think I can make a living of it."

Nancy enjoys biking and does the maintenance on her bike. She has worked at several different jobs, including being a sales clerk in a hardware store, a recreation director, and a secretary/bookkeeper for a small business. She says, "I think my past experience will help me. I like doing sales, I know about bikes, I enjoy kids, and I'm familiar with business procedures. I'm willing to learn how to do the repair work."

Ken and Nancy have decided to sell a range of juvenile and adult bikes and to offer repair service. The name they picked for their business is "Free Wheeling." They decided to allow at least six months for researching and planning. They made this list of things to do to help them in their planning:

- visit other bike stores in town;
- talk to bicycle distributors;
- tentatively select several locations and research them;
- talk to an accountant and lawyer;
- find out the legal requirements;
- do a budget for their business; and
- do a detailed business plan with tasks and a schedule.

Planning a Bicycle Store

There are many, many small businesses in America. Small businesses can have as few as one worker (the owner) or as many as four workers. A small business owner is "self-employed." Often a whole family works together in a small business.

Many people dream of starting their own business and working for themselves. One kind of small business is a bicycle store. Running a bike store requires a combination of sales ability, mechanical skills, and business sense.

In this unit you will learn about these four things involved in planning a bicycle store:

- deciding what your products, services, customers, and competition will be;
- deciding what personal qualities and skills are needed for this type of business;
- deciding what to do to compete successfully; and
- learning about the legal requirements for running this type of business.

Some people buy an existing store and take the business over. Others start a new bicycle store. These materials will emphasize starting your own store, although the issues would be the same if you bought a store.

Products, Services, Customers, and Competition

An important step in planning is to decide what products and services you will offer, who your customers will be, and what the competition offers.

Products and Services. Most bike stores provide these services: bike sales, parts and accessories sales, and bike service and repair. Most bike stores carry from two to four brands of bikes. Generally, they offer a range of bikes for both youngsters and adults. General categories of bikes include these:

- low-speed, light-weight racing bikes;
- street bikes for general recreation, touring, and cruising; this includes 3- to 10-speed bikes as well as heavy-weight bikes; and
- motocross bikes--20" lightweight bikes designed for dirt racing.

Bicycle stores also usually sell bicycle accessories (such as lights, helmets, and tire patch kits).

Customers. Almost everyone is a potential customer for a bicycle. Youngsters use it as a major form of transportation and recreation. Adults also use bikes for transportation, recreation, and exercise. Before 1970, most bikes were sold to youngsters. During the 1970s there was a major shift; adults became a large market for light-weight models. During the late 1970s the motocross bikes became popular, and a whole new market developed.

Many bike stores are family-owned and appeal to both children and adults. Others specialize in their products and appeal to a specific type of customer, such as the teenager or adult who wants a top quality 10-speed racing bike or the youngster who wants the best in a motocross racing bike.

Competition. Many bikes are sold through department and chain stores. These stores usually buy the less expensive bikes in large quantities and offer a low price for their product. Bike stores tend to carry higher quality, more expensive bikes. The bike store offers the advantage of a repair service if there is any problem with the new bike. Bike stores usually offer a free check-up about a month after the bike is sold. They will make adjustments and make sure that it is in good working order. Bike stores do compete with each other, but generally only one dealer will carry a particular brand of bike in one neighborhood. So two bike

stores, even if they are close by, will probably not be in competition to sell the same brand of bike.

Helpful Personal Qualities

Qualities that are important for a bicycle store owner to have include the following:

Sales ability. You should like interacting with people and enjoy selling.

Mechanical aptitude. You should be good at diagnosing problems and repairing bicycles.

Business sense. You should be organized and be able to handle the details of the business. You need to be good at simple math.

Ability to work hard. To succeed, a small business owner must be willing to put in long hours, especially in the beginning.

Enjoyment of youngsters. Many of your customers are youngsters, and you should enjoy dealing with them.

Ken has mechanical ability and enjoyed working in a bicycle store before. Nancy has experience in sales, business, and in working with youngsters. Together they feel they will make a good team.

How to Compete Successfully

There are many things you can do to compete successfully. We will mention them now, and you will learn more about them as you work through the materials.

- Do careful research and planning before you start.
- Sell a good product.

- Adapt to changing trends.
- Provide good service.
- Create a pleasant, friendly atmosphere.
- Have enough money to start.
- Choose a good location.
- Organize your records so you can make wise business decisions.
- Have a good advertising program.

Legal Requirements

Legal requirements vary somewhat in local areas. Common legal requirements include obtaining the following:

- a city or county business license;
- an employer's identification number from the Internal Revenue service if you have employees;
- a seller's permit (also called a sales tax permit); and
- a registration of a fictitious trade name with the city or county if the name of the store does not include your name.

There also may be city or county laws on what you can do to the building and your store front. These laws may affect what you do to your building and the lighting in your display windows.

Summary

Bike stores sell recreational and racing bikes for youngsters and adults. They also sell accessories and do repair work. A bicycle store owner should be good at sales, have mechanical skills, and have good business sense. Starting a bike store requires careful planning.

Learning Activities

Individual Activities

1. Look up "Bicycles" in the Yellow Pages of your telephone book. Count the number of stores listed. List five brand names of bikes these stores carry.

2. List at least two other kinds of stores in your local area where you could buy a bicycle.

3. List three reasons why someone might buy a bicycle at a bike store rather than at a department store.

4. Do you have the right personality to run a bike shop? Put a check by each trait you think you have.

   _____ Sales ability
   _____ Mechanical aptitude
   _____ Business sense
   _____ Ability to work hard
   _____ Enjoyment of youngsters

5. Call your local city or county government offices. Ask what the procedures are for getting a business license and how much it costs.

Discussion Questions

1. What do you think are the advantages and disadvantages of running your own business as compared to working for someone else?

2. Would you buy a bicycle at a bike store or another type of store? Discuss.

3. Do you think Ken and Nancy have a good background for starting a bike store? What might be the advantages and disadvantages of doing it together?

Group Activity

List all the questions you can think of to ask the owner or manager of a bicycle shop. For example, "What services do you offer? What brands of bikes do you carry, and why? How much of your business is in bikes, parts, and service? What knowledge or skills do you need to run your own business?" These are just a few questions to get you started. List at least 10 questions.

Invite an owner or manager of a bike shop to visit your class while you are working on these materials, or arrange a class field trip to a bike shop. The manager of a small bike store may have difficulty arranging time to leave the store to visit your class, so be flexible. Perhaps try contacting a large bike store, or arrange to visit a store at a time it won't be busy.

UNIT 2

Choosing a Location

Goal: To help you choose a location for your business.

Objective 1: List three things to think about in deciding on a service area for your bicycle store.

Objective 2: Pick the best building location for a bicycle store from three choices.

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KEN AND NANCY NAKAMURA PICK A LOCATION

Ken and Nancy live in an urban area with many small neighborhoods. They wanted to locate their shop within 20 miles of where they live. They got out a map of the area and tacked it on a wall. They looked up in the telephone book the addresses of existing bike shops and put a thumb tack on the map where each store was located. Based on information they had about different neighborhoods, they selected five likely areas to start a store.

The next step was to gather information about the five areas. Ken says, "We know that selecting the right location is important to our success, and we want to make the best choice we can." Ken and Nancy visited each of the five areas they selected. They walked around to get a feel for the community and the type of people who lived there. Next they went to the city planning office and looked over the statistics on age and income level in the different areas. Next they contacted several bicycle distributors. They knew that the major bicycle manufacturers protected their dealers by selling their bikes only through a limited number of stores in an area. Ken and Nancy explored with the distributors which ones might allow them to sell in different locations.

Ken and Nancy contacted a realtor. They told the realtor the space size they needed, the rent they could afford, and the qualities they wanted. They were looking for a place with high visibility where people would see the store as they walked or drove by. They visited several possible locations.

Now Ken and Nancy organized the information they had gathered and considered the advantages and disadvantages of each one. They finally decided to lease a small store in the business area of Glendale for $1,000 a month, including taxes, insurance, and joint maintenance costs.

Choosing a Location

There are several things to think about when you choose a service area for your business. You should ask yourself these questions.

- Are there enough customers in the area?
- What is the competition?
- Can I be authorized to sell the brands I want in this area?
- Is this where I want to work?

You will also need to decide on a specific building for your store. These are things to think about.

- Will the location attract customers?
- Can I afford the rent?
- Is there enough space?

Choosing a good location is important to the success of a bicycle store. Some market research can pay off.

Customers

People of all ages buy bicycles. You want to locate your shop in an area with children, teenagers, young adults, and adults. Remember that people generally keep bikes for many years and do not buy a new one very often, as they would shoes or clothes. So you need a large number of people living in an area to support a store. You will want to find out the population in an area, the age ranges, and the income level. Generally, bike stores draw from a five- to ten-mile radius around the store and need to have about 10,000 children and 40,000 adults within the marked area.

You will also want to find out what the general attitude in the community is towards biking. Are there bicycle clubs? Are there organized races and trips? Do you see people on bikes? Do they ride to work? Are there bike lanes and paths? This type of information can help you think about the market in the area for bicycles.

There are many sources of market information. They include city and county planning departments, bicycle distributors, newspaper marketing studies, banks, the Chamber of Commerce, and trade publications. You could hire a professional market research analyst to help you define a good location.

Competition

A bike store is in direct competition with other bike stores. If there is already a bike store in an area, you could still consider locating there, especially if there is a strong demand and you plan to offer different brands or a different service. However, if there are already two shops in an area, there probably is not enough business to open another one.

Some major bike manufacturers sell their bikes only through authorized dealers. To become a dealer, you must apply to the manufacturer and demonstrate your business capability. Often, several dealers want to sell a certain brand. The manufacturers, however, protect their dealers by selling their bikes only through a few stores. A bike store owner needs to do careful research to find out what brands would be available to sell.

Personal Considerations

There are other things to consider about the location. You might ask, "Is this where I want to work? Is this where I want to start a business?" People often have personal reasons, such as friends or family,

for deciding where to start their business. Ken and Nancy took personal perferences into consideration in deciding where to locate.

Specific Site

Consider these questions when you pick a specific site for your bicycle store.

Is it in a high traffic area? You should select a place that people notice. Being close to other stores or businesses can be helpful. You can count the number of people who walk and drive by to get an idea of the traffic flow. Also notice the type of people who go by and see if they are your target audience. Being next to a pizza place or a movie theater would be more likely to attract the customers you want rather than being next to an expensive restaurant. Being close to a college or high school can also be a good location.

Is it convenient to get to? Good access from main roads and freeways is important in many places.

Is there parking nearby? People often carry bikes in their car and need a place to unload. Also, it is desirable to have a place where customers can test ride the bike they're thinking of buying.

Is the rent reasonable? You must be able to afford the rent based on your expected volume of sales.

Is the space adequate? A small shop requires about 3,000 square feet. A large store can be more than double that size. There should be room for the following areas:

- a sales area for display of bikes and accessories;
- a repair shop with room to work on bikes and to store those waiting to be repaired (the repair area should face the selling area so repairs can be done with a view open to see customers coming in);

- a storage area for new bikes, which can be included in the repair shop; and
- a small work area for a desk, file cabinet, and office supplies.

Is the building in good condition? The store does not need to be fancy, but it should be in good condition.

Is the site zoned for business? Be certain that the place you select is zoned for business.

Are the lease terms agreeable? Leases can get complicated, and you may want to have a lawyer review the agreement.

It may be difficult to find the ideal place to locate a store. The best locations tend to be the most expensive, and bike stores cannot generally afford high rents. Nancy and Ken gathered information on available alternatives in making their choice.

Summary

In deciding where to locate, you must decide if there are enough customers in an area to support a bike shop. You should take into consideration other bike shops in the area and what brands you could sell. In selecting a specific site, you will want to get the most convenient and attractive store at a price you can afford.

Learning Activities

Individual Activities

1. List five things you would think about in deciding on a general area for a bicycle store.

2. List five things you would think about in deciding on a specific building for a bicycle store.

3. Look in the classified section of your local newspaper under "Business Rentals." Make a list of features you see that would be desirable for a bike shop.

4. Look up the addresses of three local bicycle shops in the Yellow Pages of the phone book. Find them on a map. For one store, give one advantage and one disadvantage about the location.

Discussion Questions

1. Suppose you were opening a bike store and could choose a store next to the following types of businesses. Which would you choose? Discuss.
   - Gift shop
   - Ice cream shop
   - Large grocery store
   - Major department store
   - Movie theater
   - Quick-stop store
   - Sports store
   - No stores around

2. Which of these locations seems best for starting a bicycle store? Discuss.

   - Area near downtown--low income. High percentage of children. Heavy traffic area. No bike shop in the area.

   or

   - Suburban area. Fairly stable population. Mix of families with young children and older adults. One small bike shop in the area.

3. Ken and Nancy saw these two listings for a store in Glendale. Which do you think they should choose? Why? What other information might help them make a decision?

Retail Store-Main Business Area
2,500 square feet, $800/month
Good condition

or

Store-Freeway Access
4,000 square feet, $650/month
Parking

Group Activity

Decide on a specific store location that you would recommend for a bicycle store in your community. Give your reasons for recommending that location.

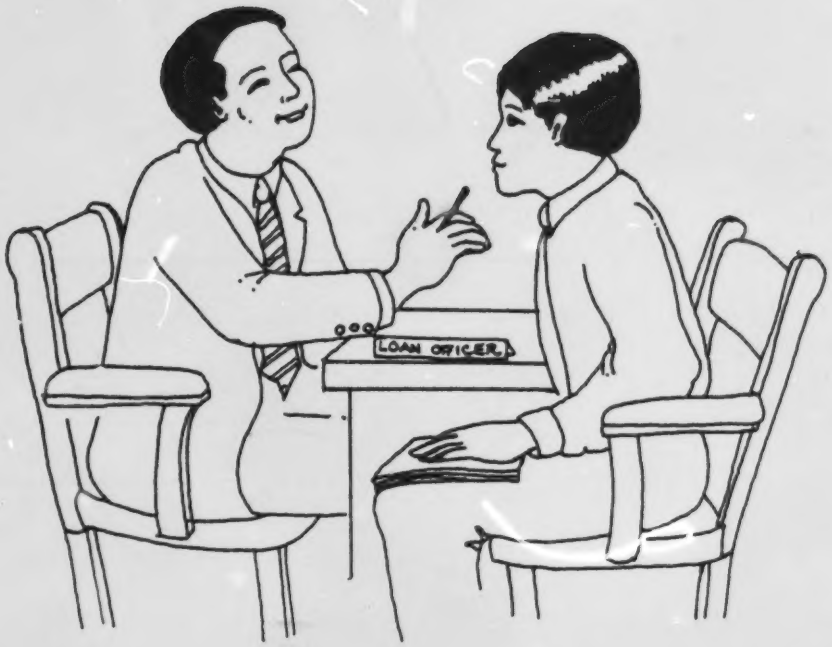
UNIT 3

Getting Money to Start

Goal: To help you plan how to get money to start your business.

Objective 1: Write a business description for a bicycle store.

Objective 2: Fill out a form showing how much money you need to start your bicycle business.



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NANCY AND KEN GET MONEY TO START THEIR BICYCLE STORE

Nancy and Ken made a list of the expenses they would have to open a bike store. This is the list they made.

Start-Up Costs

Inventory--bikes, parts, accessories	$15,000
Remodeling of building	2,000
Rent deposit	2,000
Equipment (display racks, tools, cash register, desk)	7,000
Initial fees and services	1,000
	$27,000

Operating Costs

(for first six months)	
Rent	$ 6,000
Salary	3,000
Insurance	600
Advertising	1,200
Other	2,200
	$13,000

They also needed money to live on during the first year if the business was slow to get started. They budgeted a minimum of $10,000 for living expenses. They needed the following:

Start-Up Costs	$27,000
Operating Costs for Six Months	13,000
Living Expenses for One Year	10,000
	$50,000

Nancy and Ken had both been working for ten years. They had $30,000 in savings and they owned their house. They wanted to borrow $20,000 from the bank using their house as collateral. They talked to their accountant, who suggested they write a business plan to give to the bank when they asked for a loan. They wrote the business plan and met with a local banker. The banker was impressed with their careful planning and gave them the loan they asked for.

Getting Money to Start

Starting a new business requires money. How much money depends on how large an operation you want to have and the kind of work you plan to do. In this section you will learn something about how to get money to start a bicycle store.

Sources of money are:

- the owner's money;
- gifts, loans, and investments; and
- banks and credit unions.

Ken and Nancy used their savings and borrowed money from a bank.

To apply for a bank loan they prepared forms containing three kinds of information:

- personal background information;
- a description of the business; and
- financial information.

Personal Background Information

This section includes schooling, work experience, and financial history. Someone who has paid his or her bills in the past will have an easier time getting a loan than someone who has been late or has not paid certain bills at all. Also, the loan officer wants to know if the person has the skills and knowledge to run a business of this type.

Business Description

The business description should be clearly and simply written and should explain plans for your business. It should tell the lender the following:

- the kind (and name) of the business;
- the products and services to be provided;
- the location of the business and why you selected it;
- the kind of customers you will serve;
- the kind of competition you will have and why you think you can compete;
- your expected growth; and
- your hiring plans.

Financial Information

The lender will want detailed financial information, including a projection of income and expenses for the first year. Most lenders require that the owner provide at least half of the money needed to start the business.

The banker wants to support profitable businesses. Making loans is how a bank makes money! However, the banker does not want to lend money to someone who may not be able to pay it back. The loan officer wants to know that you have planned ahead. He or she needs to know how much money you will need and have a good estimate of how much money you will have left after paying your costs.

A new business will usually have expenses even before it provides services or collects money. These are called start-up expenses. In the beginning, a business will usually spend more than it makes and will therefore need money to get started. As the business gets established, it will want to collect more money than it spends. It will use some of the difference to pay back any money that was borrowed.

Below are some of the start-up expenses Ken and Nancy will have.

Inventory. You need to buy bikes before the store opens. You want enough bikes on display so that customers have a good selection to choose from. But you don't want to spend more money than you need to. The bicycle inventory is a major expense. You also need an inventory of accessories and the most commonly used repair parts.

Remodeling of building. Often a store will require some remodeling, such as painting or repair work. You will also want a display sign.

Rent deposit. Often you will need to make a deposit and pay the last month's rent when you lease a store.

Display equipment. Bicycle display racks are used to show off rows of bicycles on the sales floor and to store bikes. Add-ons, placed atop the racks, can double the display and storage space. Showcases are used to display accessories and parts and are particularly important in preventing theft. Pegboards are often placed on walls to display bulky items, such as baskets and saddles.

Repair shop equipment and tools. Repair stands and tools are needed to equip the repair shop. One tool, which is only used occasionally, may cost $100, but you still may need it to do specialized repairs. You will also need some sort of set-up for storing parts in the shop.

Cash register and office equipment. You will need a desk, chair, typewriter, file cabinet, and adding machine. These can be inexpensive, but must be in good condition.

Initial fees and services. There are some one-time costs such as certain license fees and an accountant's fee for setting up a bookkeeping system.

There are also on-going expenses such as: salaries, rent, maintenance, restocking the inventory, advertising, insurance, accountant services, license renewal fees, etc.

Initial inventory is the major expense in starting a bike store. You could start a small store with an inventory of $10,000. Some bike stores have an inventory of over $50,000. You will need to decide on an appropriate amount of inventory based on the size of your store, how much you can afford, and your business strategy. We will discuss more about inventory in later units.

Summary

To start a bicycle shop requires money, particularly to buy the inventory of bikes, parts, and accessories and to set up the store. The amount of money depends on the size of the store and costs in your local area. Often the owner will borrow money from a bank or other source to get started. A good business description showing that the owner is capable, organized, and has done careful planning can help in obtaining a loan. A good description is also useful for the owner in making decisions and in having clear goals for the business.

Learning Activities

Individual Activities

1. List the three kinds of information you must give the bank in order to get a loan.

2. Write a short business description for Ken and Nancy's bicycle store based on the information you have been given. Include at least one sentence for each of the parts of the description listed in the text. Remember that you want to convince the bank that your business is well planned and likely to succeed.

3. Give an example of three start-up expenses and three ongoing expenses.

4. Ken and Nancy planned on spending $10,000 on their starting inventory for bikes. If their average cost per bike is $150, how many bikes would that be?

5. Use the form below to present Ken and Nancy's financial information to the bank.

STATEMENT OF FINANCIAL NEED

Starting Expenses (6 months)		Money on Hand	
Salaries	$_____		
Rent and Deposit	_____	Cash on Hand	$_____
Repairs and Renovations	_____	Gifts or Personal Loans	_____
Equipment and Furniture	_____	Investment by Others	_____
Inventory	_____	TOTAL	$_____
Advertising	_____		
Other (fees, insurance, living expenses, etc.)	_____		
TOTAL	$_____		

TOTAL STARTING EXPENSES	$_____
TOTAL MONEY ON HAND	$_____
TOTAL LOAN MONEY NEEDED	$_____

Discussion Questions

1. Start-up expenses for a bicycle store can vary. What are the advantages of starting out small? What are the advantages of starting out large?

2. Ken and Nancy estimate that they will spend about $40,000 in the first three months of business. They estimate that sales the first three months will be $16,000. Do you think they should go ahead and start the business? Defend your answer.

3. Would you lend money to Ken and Nancy for their bike shop? If so, what conditions would you put on the loan?

Group Activity

Do a role-play situation. Have one person play the role of Ken, one play Nancy, and another person play the bank loan officer. Have Ken and Nancy ask for a $20,000 loan for their bike shop. Do the role play for five minutes. Then have each person share how it felt to play his or her role. Next, change roles and have three different people act out the same situation. See what different people do in a similar situation.

UNIT 4

Being in Charge

Goal: To help you select and manage the people with whom you work.

Objective 1: Decide how to divide the work to run your store among several employees.

Objective 2: Describe the basic principles of successful sales technique.

Objective 3: Pick the best person for a specific job in your store.

NANCY AND KEN ARE IN CHARGE

Nancy and Ken wanted to do most of the work in the store themselves. Nancy would do sales, simple repairs, and the bookkeeping. Ken would do most of the repair work and also do sales. They decided to share the other tasks, such as ordering inventory.

They planned on having the store open 10-6 every day. They both wanted to work Saturday and Sunday (their busiest days), to share the work during the week, and to have Wednesday off together.

In order to have that schedule, they needed to hire someone to manage the store when they were away or if they were sick. They decided to look for someone who could work Saturday, Sunday, and Wednesday. They put a sign on their shop, advertised in the local paper, and contacted the junior college placement office. They also saw a sign for an agency that recruited jobs for people over 50 and called the agency about the position.

They had several applicants, but most of them were in school and could not work a full day during the week. The person they hired was Sam. Sam was 61 years old and a retired high school teacher. He was looking for a part-time job to supplement his retirement income and also to give him an activity. Sam seemed perfect for the job! He was relaxed and friendly with kids and also good at relating with parents and other adults. They decided to pay him $4 an hour and 5% commission on the sales he made. They knew that was less than Sam had earned before, but it was all they could really afford to pay. He would do mostly sales, with some simple assembly and repair work.

After they were in business about six months, a high school student, Jeff, came in and asked for a job doing repair work. It was the beginning of the school year, and they had a backlog of bikes to be repaired. They hired him to help three afternoons a week.

So now they had two employees. Ken says, "I feel good about both Sam and Jeff. They are dependable and friendly and help create the kind of atmosphere I want in the store."

Being in Charge

There are many tasks involved in running a bicycle store. One of the major responsibilities in owning a bicycle store is selecting and managing employees. A store's success depends on competent staff. In this unit you will learn about:

- staffing patterns;
- responsibilities in selling and repairs;
- hiring and supervising staff; and
- other management tasks.

Staffing Patterns

In a very small bike shop, one person could run the store. But it is better to have at least one other employee who knows all aspects of the business and can take over and operate the store alone. A large bicycle shop may have five or more employees.

Some employees just do sales, and others just do repair work. If you can find an employee who is able to do both repair work and sales, you'll have more flexibility in busy times. Starting out doing repair work is a good way for employees to learn about the bikes. They prepare to handle customer's questions and to sell bikes, accessories, and parts. Part-time help is often a good idea, particularly at busy times of the year. But full-time employees may stay on the job longer and warrant the training required.

Sales

The success of your business depends on skillful sales staff. Customers who come into a bike store usually have questions. They look to

the salesperson for information. The salesperson should have a thorough knowledge of the bikes and should believe in their quality. These are the basic steps in selling a bike.

Approach. The salesperson greets the customer. Establishing a friendly, personal relationship is an important part of sales in a small store.

Determining the need. Find out what the customer wants. If he or she is interested in a bike, find out who will ride the bike and the kind of riding the person will do. Suggest a bike that fits the needs of that customer.

Presentation. The salesperson should be an expert on the bikes carried by the store and be able to answer questions and suggest advantages of the bike. The salesperson should also be honest about the limitations of the product and be willing to admit not knowing something.

Dealing with objections. The salesperson listens to the customer's concerns and is sensitive to the customer. When appropriate, the salesperson uses customer objections to strengthen the sales presentation.

Closing the sale. The customer buys the bike.

The development of good sales techniques requires skill and experience. Different styles work well for different people.

Repair Work

Bicycle mechanics assemble, adjust, and repair bikes. They must be good at using tools and working with their hands. They must understand how gears, brakes, and chains work. Typical repairs include adjusting cables, fixing brakes, replacing parts, and changing tires.

Most bicycle mechanics learn their skills on the job. Helpful preparation includes classes in bicycle repair and experience with bikes. An employee should have mechanical interest and aptitude and can be taught specific procedures. Some manufacturers offer workshops in bicycle repair for their dealers.

The mechanic should also be good at dealing with customers and be able to answer their questions and explain what repairs are needed.

Hiring and Supervising Staff

Hiring. To select a good employee, you should plan what tasks need to be done and recruit an appropriate person for the tasks. Some sources of new employees for a bicycle shop include walk-ins, newspaper ads, personal referrals, the employment office, and job placement centers at schools. A clear description of the job will help attract the applicants you want. The applicant should fill out an application form and have a personal interview. Remember that the job will probably involve dealing with people, and you want someone who is able to respond to customers in a helpful and cooperative way. Also, you want someone who is reliable, has the skills required, and wants to do the job.

Pay. The pay and benefits you give your employees should be close to what they would get working for someone else. If you pay less, they may not work for you long, and you will have to spend time training someone else. If you pay much more, you will not be able to keep your prices low enough to be competitive. Full-time employees should also receive some benefits, such as health insurance and a paid vacation. Nancy and Ken decided to pay Sam an hourly rate and a commission as an incentive to make sales. Their pay rate, as for most bicycle stores, is low.

Policies and directions. You should be aware of the laws regarding pay, overtime, and other work conditions and should follow them. You should be clear on what your policies are and communicate them to your staff. You should also be clear on staff responsibilities and give

employees feedback on their job performance. Recognition of work well done can promote good working relationships. Talk with employees about their concerns.

Training. New employees need training, particularly if they are to do repair work. Instruction and close supervision of a new repair person can help ensure that the mechanic will do the repairs as you want them done. New employees should start by assembling new bikes. Then they can do routine jobs, such as replacing a tire. And then they can do more complicated repair jobs. Training a mechanic is a major investment in time, so you want to hire someone who plans to stay with you for a long period of time.

A new salesperson will also need instruction about products, store procedures, and sales techniques.

Other Management Tasks

There are other tasks that are done by the owner or manager of a bicycle store. They include scheduling the repair work, ordering inventory, keeping financial records, preparing tax returns, planning, and advertising. Some of these tasks will be discussed in more detail later.

Ken and Nancy planned on doing these management tasks plus supervising and training their employees. They also planned to do much of the sales and repair work. They hired Sam to help primarily with sales and Jeff primarily to do repair work.

Summary

There are many tasks involved in operating a bicycle store, and the owner usually hires at least one person. Sales and repair work are the major tasks. The owner should be clear on what the tasks are and hire appropriate people. Once they have been hired, it is important to treat employees fairly so they will do quality work and continue on the job.

Learning Activities

Individual Activities

1. List five steps in the basic sales approach.

2. Match the customer with the most appropriate bike.

   _____ 10-speed, 25", $250
   _____ 3-speed, 24", $150
   _____ single speed, 16", $100

   a. A 12-year old who wants a bike for school
   b. An 8-year old who wants a play bike
   c. A 17-year old who wants a racing bike

3. List three ways to advertise jobs in your local area.

4. Look in the classified section of a newspaper under sales jobs. See if any hourly rates for retail sales jobs are listed.

5. List three things you can do to prepare yourself for a job in a bicycle shop.

Discussion Questions

1. List three things you would want in a bicycle. Discuss what you would want from a salesperson if you went to buy a bike.

2. Discuss these two ads. Which do you prefer, and why?

Help Wanted
Jack's Bikes
Inquire in person
617 Jackson Street

Wanted
Part-time Help
Bike Mechanic
and Sales
368-7681

3. Which of these three applicants would you hire for the following: part-time salesperson, bicycle repair mechanic, and store manager.
   - Maria - 24, has worked for three years at a bike store doing repairs and sales
   - Jose - 20, good at working on cars, does not know much about bikes, wants a long-term job
   - Pete - 19, in junior college, has had a sales job before

   Give your reasons for your choices.

Group Activity

Role play a sales demonstration. Have one person play the role of the salesperson and one or two students play the role of bicycle customers. Have other students observe to see if the salesperson goes through the five steps of the basic sales approach. Then change roles and let another student play the role of salesperson.

UNIT 5

Buying and Keeping Track of Supplies

Goal: To help you plan your inventory selection and develop an inventory control system for your bicycle store.

Objective 1: Select a merchandise supplier, decide how much you will buy, and develop a schedule for ordering inventory.

Objective 2: Compute the total amount of your purchase order for your store.

KEN AND NANCY BUY INVENTORY

Ken and Nancy had made some preliminary contacts with bicycle manufacturers and distributors as part of their early research. Now they are ready to decide what brands of bikes they will carry and to order their inventory.

Ken describes what they want to carry. "We want to start with two lines of bikes, one that's high quality and a second brand that is lower in cost, but reliable. This will give our customers something to compare and choose from. Maybe later we'll add a third brand."

They made a list of the brands they wanted to carry. One distributor turned them down, but two others agreed to supply them with the bikes they wanted. They ordered a selection of men's and women's bikes for adults and youngsters in different sizes and colors. They spent $10,000 to buy 80 bikes. The average cost of the bikes was $125. They also spent $5,000 on accessories and parts.

The bikes were delivered two weeks before the Free Wheeling Bike Store was scheduled to open. Ken and Nancy worked to assemble bikes to put on display. They also set up an inventory system so they could keep track of the bikes they ordered, when they were delivered, and when they were sold. By keeping track of the bikes that sold quickly, they could order more so they would not run out of stock.

Nancy says, "We were not sure what bikes would sell best when we made our first order, but the salesperson for the bicycles gave us some good suggestions. After we have been in business a while, we will have more information to base our orders on."

Buying and Keeping Track of Supplies

Most of your initial capital investment will be spent on the inventory--the bicycles, accessories, and parts that you will sell in your store. In this unit you will learn how to choose your inventory and how to manage and control your inventory.

Inventory Selection

In selecting inventory, you must consider the needs and wants of your customers. You will want enough bikes so your customers will have a range of styles and prices to select from. However, you do not want to have so many choices that the customer is confused. Also, customer preferences change; what was the big seller one year may not be the next. You don't want to have a stock of bikes you can't sell. Keep track of what customers are buying. Stock the fast-moving items. You can always special order an unusual customer request. You may want to stock more or different kinds of items at different times of the year, such as at Christmas and back-to-school time.

Generally, a bike store will carry two to five brands of bicycles. This includes at least one major brand and one less expensive brand. Limiting the number of brands allows the store to carry depth with various sizes and colors of that particular brand. Some stores specialize in one type of bicycle, such as deluxe multi-gear racing bikes. But most dealers find that such specialization limits their market too much.

The bike dealer becomes an expert in the brands the store carries. It is important to select a good quality bike, or you will have a "yo-yo"--a bike that keeps being returned to the store for repairs.

In addition to bikes, you need an inventory of accessories and parts. Here too you want to be well stocked and offer customers a choice without having too much money tied up in slow-moving items. Bike stores commonly carry items such as tires, tools, chains, locks, lights, horns, seats, baskets, shirts, bike racks, and parts. The amount of parts you buy will depend on how much repair work you do.

When buying merchandise you should consider:

- popular styles;
- the right quantity;
- good quality; and
- the best price.

Suppliers

Finding a reliable source of merchandise and forming good relations with suppliers is important. You may order some items directly from the manufacturer. Other items you can get through a local distributor. Salespeople representing various products generally visit bike stores once or twice a month to take orders.

Some namebrand bicycles are very difficult to obtain. Major ones often sell only through authorized dealers, with one dealer in a specified purchase zone. You must apply to these manufacturers and demonstrate your business capability. In return, they support their dealers and may provide services such as business assistance, training in repair, and advertising. There are other brands of bicycles that any bicycle store can purchase.

Since a bicycle store often carries only a few brands, it is important that the supplier be reliable and deliver promptly. Often bikes can be delivered in a week. However, sometimes there is a shortage. This can seriously hurt a bike store if it does not have an alternate source of stock. It is important to clarify terms of payment with the supplier.

For example, will the supplier offer credit or a discount for prompt payment or for buying in quantity?

Inventory Control and Turnover

The purpose of an inventory system is to keep track of what you have and what you need. An inventory control system can help you plan purchases by showing which items are fast sellers and need to be reordered often and which are slow-moving items.

Stores try to sell their merchandise as fast as they can. A turnover rate is an indicator of how long it takes to sell an item. Turnover rate depends on the store, the sales volume, the particular item, and the formula used to calculate it. A bike store would want to sell a bike within one to three months. However, the store might stock other items, such as an auto bike rack, that would be in the store a much longer time. Inventory records can help determine turnover rates for items. The average stock turnover of a bicycle shop is generally about four times a year.

A small bicycle store can use a simple inventory system. For bicycles the dealer may keep a file box with records showing what bikes are in stock. An inventory tag may be attached to each bike. When the bike is sold, the tag is taken off and the information recorded in the inventory record system. For accessories and parts, the dealer usually puts items in large drawers or stacks. The dealer keeps a list of items that are low and also looks now and then to see what needs to be restocked. Occasionally, the dealer will do a physical count of the inventory to confirm records and to keep track of any problems loss or theft.

Below is a sample of an inventory tag for a bicycle.

Brand Royal	Model No. 417
Frame Size 24"	Color black
Gears 5	Men's X /Women's ____
Serial No. CQ 533484	

In this example the tag has been filled out with information on a specific bike.

Purchase Order

A purchase order form is used to order bikes and other products. Often the distributor will have a printed form listing the products it carries; you write down the quantity of each item you want next to the appropriate item number. The purchase orders give you a record of what your ordered and how much you spent.

Summary

In this section you learned about the basic steps in inventory selection and inventory control. It is important to find reliable suppliers and to have good relations with them. It is also important to keep good records of your purchases and sales so you can reorder the kind of bikes and accessories your customers want.

. Learning Activities

Individual Activities

1. Look in the Yellow Pages of the telephone book under "Bicycles." List ten brand names you see advertised in the ads. Also look under "Bicycles--Wholesale and Manufacturers" to see if any are listed.

2. Match the line of bikes best suited to these customers.

   _____ youngsters
   _____ adults who race
   _____ mix of adults and youngsters

   Bike Lines:

   a. A complete line of all types of bikes
   b. Specializes in extra lightweight 10-speed bikes
   c. One of best lines of moto-cross bikes

3. Fill out the inventory tag form below for a white, 22" women's 3-speed bike--Royal Model No. 314 with Serial No. XY 371411.

Brand _____	Model No. _____
Frame Size _____	Color _____
Gears _____	Men's _____/Women's _____
Serial No. _____	

4. Nancy ordered the following bikes from a distributor. What is the total price of the order (without tax)?

Quantity	Model Number	Price Per Bike
2	494	$85
1	5-47	$154

5. Explain why a bike store should have an inventory control system.

Discussion Questions

1. Give some advantages and disadvantages of having a large inventory of bicycles.

2. What type of bikes do you think a bike store in your own local neighborhood should carry? How many should it carry? Discuss.

3. Read over Ken and Nancy's plans for inventory. Do you think they have good plans? Why, or why not?

Group Activity

A new bike store, The Family Bike Shop, is ordering inventory. The owner has a budget of $5,000 to spend on initial inventory. How many of each of the following types of bikes do you think The Family Bike Shop should buy? The number after the bike is the cost to the dealer. Your total should be $5,000 or less.

Bike Descriptions		Quantity to Order
Men's extra-light	$200	
Women's extra-light	200	
Men's light-weight	150	
Women's light-weight	150	
Boy's light-weight	100	
Girl's light-weight	100	
Boy's middle-weight	100	
Girl's middle-weight	100	
Moto-cross bikes	100	
Boy's junior models	50	
Girl's junior models	50	

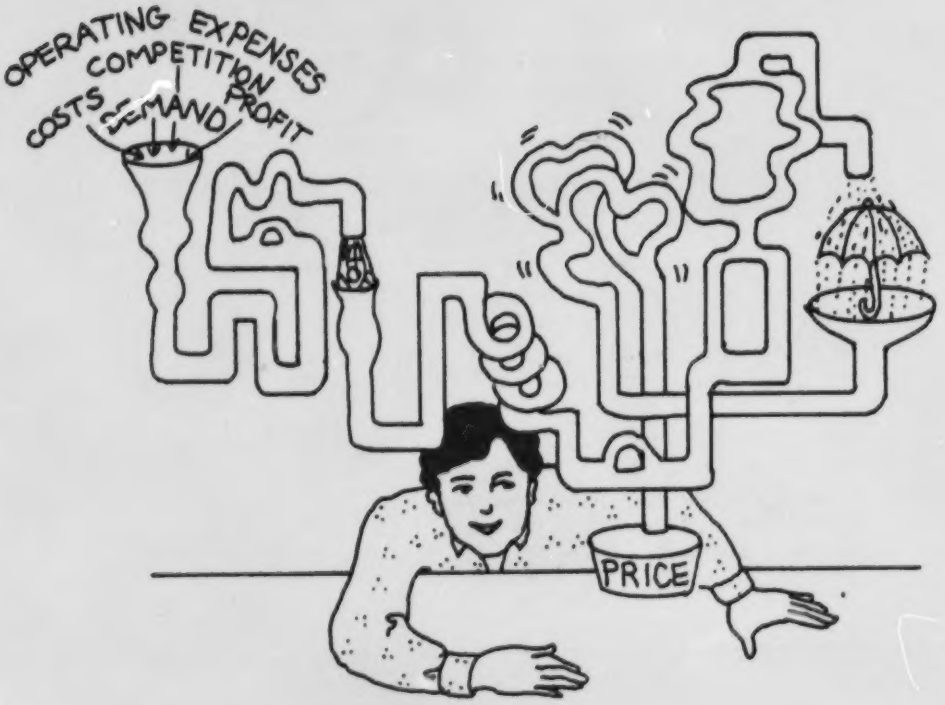
Compare your recommendations with those of other students in your class. What else would you need to consider in ordering bikes?

UNIT 6

Setting Prices

Goal: To help you set prices for your bicycle store.

Objective 1: Pick the best price for your merchandise and service.


OPERATING EXPENSES
COMPETITION
COSTS
DEMAND
PROFIT
PRICE

NANCY AND KEN SET PRICES

Nancy said, "We didn't have much choice on the price for bikes and many of the accessories. We'd them at the manufacturer's suggested retail price, as we agreed to do. If we sold them for more, customers would go elsewhere. If we sold them for less, we could not afford to stay in business. The bikes cost us about 70% of the suggested retail price, and the other 30% goes to cover our expenses and profit. The markup on accessories is generally higher, or around 50%."

To set a price for repair work, Ken--who had experience in this area--made a list of common repairs. He figured a charge based on $20 an hour to cover labor and expenses and to allow for some profit. He made a list of charges for typical repairs. For example, he would charge $15 to assemble a new bike. Ken called two other stores and asked for estimates on repair jobs. He decided his prices were in line with the competition.

After doing some sales projections, Ken reported, "I figure we can realistically do enough business to cover our expenses. But we may not have much left over at first to pay ourselves. However, in a year or two we should be able to make an adequate living."

Setting Prices

To be successful, a business must charge more for its merchandise than it pays for it. In this unit you will learn about pricing considerations for a bicycle store. In general, bicycle stores charge the manufacturer's suggested retail price. The owner controls the prices mainly through the selection of the brands and specific models to carry.

Components of Price

Cost of goods sold. The cost of goods sold is the amount a bicycle store owner has to pay to the manufacturer or supplier for the bikes, accessories, and parts. The owner tries to get a good deal on the merchandise he or she buys.

Operating expenses. The other costs of running the business are operating or overhead expenses. Major expenses for Ken and Nancy are salaries and rent. They try to keep their expenses down so they can make a profit.

Net profit. Net profit is what is left after subtracting the cost of goods sold and operating expenses from the total sales of the store. Ken and Nancy will use some of the profit for their salaries. The profit also includes taxes, money to repay loans, and money to improve the business. Often the owner of a bicycle store will make only a small profit at first. Before starting a store you should decide how much money you need to live on. You should also decide whether a bicycle store will be likely to provide you with this income.

Establishing a Price

Most bicycle manufacturers that sell through small bicycle stores want their dealers to follow their guidelines for a suggested retail price to the customer. This is done to protect other dealers and the manufacturer from under- or over-pricing. Accessories and parts may also have a suggested retail price. Sometimes a manufacturer will sponsor a promotional sale on a special or discontinued model. The dealer will then sell these bikes at a special reduced price.

The difference between the wholesale cost to the bicycle store and the retail price to the customer is called the markup. There are different ways to calculate markup. One method for figuring markup is shown below.

$$\text{Markup on retail} = \frac{\text{selling price} - \text{wholesale price}}{\text{selling price}}$$

The markup on bicycles is around 30%. For example, a bike selling for $100 would cost the dealer $70 if there was a 30% markup.

$$\text{Markup on retail} = \frac{\$100 - \$70}{\$100} = 30\%$$

The markup on accessories is higher, often 50% or more. If a bike tire cost the dealer $2.50 and was sold for $5, the markup would be 50%.

$$\text{Markup on retail} = \frac{\$5 - \$2.50}{\$5} = 50\%$$

The bicycle store owner does set rates for repair work. If the price is too high, people may do the repair work themselves. If it is too low, the owner will not make money. The owner should decide on a charge based on an hourly rate for labor and expenses plus the cost of parts used. Many dealers post rates for common repairs to give customers an idea of prices. They also provide individual estimates on more complicated repair jobs. A tax charge is added for the parts used in the repair work.

Customer Demand and Competition

Bike stores must charge a reasonable price for bikes. Otherwise, customers will go to department stores or other sources. Different bike stores charge similar prices for the same bicycles. Charges for repair work vary, but rates should be in line with those of other local dealers.

Summary

Many of the pricing decisions for a bike store are made in the selection of inventory. Manufacturers usually have a suggested retail price. The selling price includes the cost of goods sold, operating expenses, and profit. Accessories have a higher markup percentage than bicycles--meaning more profit for the shop owner. Repair prices are set by the individual store.

Learning Activities

Individual Activities

1. List the three components of the selling price.

2. If the wholesale price for a bike is $140 and the selling price is $200, what is the markup?

3. If the retail cost of a bike seat is $10 and the markup is 50%, what is the wholesale price?

4. A customer brings in a bicycle repair job. You estimate it will take a half-hour to do the job, and you charge $20 per hour for labor. What should the estimate for the labor charge be?

5. Based on your own knowledge and on bicycle ads you see in the paper, make a list of typical prices for three well-known bicycles. What do you suppose are the manufacturer's suggested prices for these bikes? Do you know of any stores where you can get these bikes at a cheaper rate? If so, why do you suppose the prices are lower?

Discussion Questions

1. In one day a bicycle shop made these sales. Which was most profitable? Why?
   - Sales of $150 for bicycles at a 30% markup.
   - Sales of $100 for accessories at a 50% markup.

2. In one day a bicycle shop made these sales. Which was most profitable? Why?
    - Sale of one 10-speed racing bike for $300 at a 30% markup.
    - Sale of a youngster's bike at $100 and a 30% markup.

3. List and discuss the expenses a store owner might have that will affect profits.

Group Activity

Have each person take the role of a bike store owner, a customer, or a bicycle manufacturer. Discuss the practice of having a suggested retail price. Would you rather have the store owner or the bicycle manufacturer set the prices? Notice how your preference might change depending on your point of view.

UNIT 7

Advertising and Selling

Goal: To help you advertise and promote your store.

Objective 1: Choose the best way to advertise your bicycle store for a specific purpose.

Objective 2: Design a printed ad for your bicycle store.

NANCY AND KEN ADVERTISE

Free Wheeling Bicycle Store is ready to open. Nancy and Ken had already prepared an ad to appear in the Yellow Pages of the telephone book. They knew that the Yellow Pages would be a major source of business for them, and they timed the opening of the store to match the new telephone directory distribution.

Nancy describes their advertising plan. "We don't have much to spend on advertising, and we need to decide wisely how we spend it. The Yellow Pages will be our major ongoing advertising. We are planning an opening celebration the first week the store is open for business. We are running a newspaper ad, have distributed fliers, and have asked our friends to come by. We're going to give out free balloons and sell T-shirts at half price with our Free Wheeling name on them. This will help attract attention to our store."

Ken adds, "A major way we advertise is the store itself. The appearance, both outside and inside, has a lot to do with creating an image. We had a bold sign done professionally for the outside of the shop. We have selected a few of our best bikes and have arranged them attractively in the front window to catch people's eyes and draw them in. Inside the store is uncluttered and clean, with accessories clearly displayed. Nancy and I spent a lot of time planning and arranging the store because we think it is important. It's not fancy, but you get the feeling that it's a well run store."

The opening week for the store was a success--they had over 200 people come in, and the T-shirts were a big hit. Many people commented on how attractive the store was. Ken and Nancy felt that they were off to a good start.

Advertising and Selling

The purpose of advertising is to attract customers. How you advertise depends on the customers you want to reach. Bicycle stores do not usually have a large budget for advertising, but the advertising they do is important in creating an image for the store.

This section will discuss:

- being aware of customer needs;
- doing advertising and promotion; and
- keeping a good store appearance.

Customer Needs

In planning how to attract customers to your shop, it is important to remember why people would use your services. People buy bicycles for recreation, transportation, exercise, and athletic competition. People bring the bikes to the shop for repair because they think the shop can do the repairs better than they can or to save time. Customers want dependable repair work at reasonable prices.

Advertising and Promotion

There are many ways to advertise and promote a bicycle store. Advertising can be expensive, and you must decide how much you can afford to spend. A business owner wants his or her advertising to be cost-effective--that is, to bring in the most business at the least cost. That sounds easy, but it is difficult to do!

Below are a number of ways to attract customers to a bicycle store.

Yellow Pages of the telephone book. When people want to buy or repair a bicycle, they will often look in the Yellow Pages to locate a local bicycle store. Your Yellow Pages ad should include the name, address, telephone number, and other relevant information on your store. The larger ads are naturally more expensive. But they may be worth the extra cost if they attract more customers.

Newspapers. Newspapers can reach large numbers of people at a reasonable price. However, ads may not be seen by potential customers. Sometimes ads in small local papers may be effective.

Other promotional efforts. A direct mailing to target groups may be used, particularly to announce a new arrival or a promotional sale. Often manufacturers have catalogues that can be given to customers. These catalogues are often very professionally done and are an excellent form of promotion. You could also distribute fliers or posters and make contacts with local bicycle touring and racing clubs. Ken and Nancy's use of T-shirts and balloons is another example of a promotional effort.

Radio and television. Radio and television reach many people, but they can be expensive, particularly television advertising. However, some large bicycle stores may find this is an effective medium for them to reach potential customers.

Personal contacts. Friends, relatives, and people they refer can be a good source of business. You should have printed business cards with the name, address, and telephone number of the store to pass out to people you meet. Churches, clubs, and other organizations can also be a source of business.

A store owner will usually use a mix of advertising and promotional approaches. A new store may start with a large advertising budget to attract new customers--for example, a direct mailing to all residents of the immediate neighborhood. An established store would depend more on repeat customers and referrals. A store owner would probably advertise more at some times of the year, such as before Christmas. At this time,

he or she might put a large ad in the local paper. The advertising budget for a bicycle store is usually about 1% to 2% of annual sales.

The layout and artwork for your advertising should be carefully planned and of good quality. Usually a store will project an image through its advertising. The image may stress low prices, good service, or quality products. Different images will appeal to different customers.

Store Appearance

The customer's impression of the store will depend largely on its appearance. The store's sign should be clearly readable, even at a distance. The window display should be carefully arranged to catch people's attention. Bicycles along with a selection of accessories can make an attractive display. A few posters, carefully selected and placed, may add to the display. Some bicycle shops will put an unusual bike in the window, such as a two-seater, to attract attention. Potential customers should also be able to see into the store to attract them to come inside.

The inside of the store should be attractive and inviting. Bicycles should be in neat rows with a clear path for walking. The displays should be neat, and the store should be clean and well lighted. The store should be a place where customers will want to shop.

Of course, the neat appearance and courteous manner of the staff are also important in creating a pleasant atmosphere.

Summary

Bicycle shop owners generally spend a limited amount on advertising. The Yellow Pages is the most common type of advertising, but many other approaches can also be used. The appearance of the store is very important in creating an image.

Learning Activities

Individual Activities

1. Look at three ads in the Yellow Pages of the telephone book under "Bicycles" and answer these questions.
   a. Which ad do you think is the most attractive? Why?
   b. Which ad do you think is most expensive? Why?
   c. List four types of information most ads have.
   d. Make a list of at least five things you see in the ads that make a store stand out as being special.

2. Call the business office of the telephone company and find out what rates it charges for Yellow Page ads of various sizes.

3. A bicycle store has sales of $150,000 a year. If the store spends 1% of that a year on advertising, how much does it spend?

4. List five ways to advertise or promote a bicycle store.

5. Describe one of the local bicycle stores in your area--both the outside and inside of the store. List one thing you like about the appearance and one thing you don't like.

Discussion Questions

1. Make up a name for a bicycle store or find a name you like in the telephone book. Explain why you selected the name.

2. Think of effective ways a bicycle store could advertise in your local area, in addition to the Yellow Pages. Try to be imaginative.

3. A bicycle store owner has the following choices for an ad in the Yellow Pages and a budget of $1,200 for the year for advertising. Which size Yellow Pages ad do you think the owner should get? What other kind of advertising should he or she do?

   a. Short listing - $120/year
   b. Medium-sized display ad - $600/year
   c. Large display ad - $1,200/year

Group Activity

Prepare a simple ad for a bicycle store to appear in the Yellow Pages. Include the name, address, telephone number, and other information about your store that you feel is appropriate and would appeal to your customers. Share your ad with the group and explain why you designed it as you did.

UNIT 8

Keeping Financial Records

Goal: To help you learn how to keep financial records for your bicycle store.

Objective 1: Fill out a customer sales receipt for a sale.

Objective 2: Fill out a daily cash sheet for money you receive and pay out in one day.

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NANCY AND KEN KEEP FINANCIAL RECORDS

Nancy and Ken have been in business for two years now and are doing well. Before they opened, they met with an accountant and set up a simple financial record system to keep track of expenses and sales. This system has worked well for them. Nancy does most of the bookkeeping. She spends about half a day a week on recordkeeping.

Nancy says, "It is important to do the bookkeeping on a regular basis so you can anticipate any problems. I enjoy doing the books. I like to know that everything is in order and accounted for. And I like to organize the information in a way that helps us in making our business decisions."

One way Nancy used the financial information was to analyze the profitability of the repair work. The repair shop was very busy, and she and Ken were pleased that customers were coming to them. However, when Nancy subtracted the expenses of the shop from the money it brought in, she found they were not making any profit. The only expense they could really reduce was to cut Jeff's salary. However, he had worked out well, and they wanted to reward him for his good performance. They decided to increase their prices for repair work. They found afterwards that they did almost as much business and now were making a good profit.

Nancy also used the financial information in other ways. She made a budget and planned how much inventory they could afford to buy, particularly before their busy seasons when they wanted to buy as much stock as they could afford.

Keeping Financial Records

Sometimes a business will have a high volume of sales but will not be making a profit. As a bicycle store owner, you must have a clear way to keep track of the money. A bicycle store can have a simple system for keeping records. This unit will discuss the importance of keeping financial records and will give examples of the type of records that might be kept.

Importance of Financial Records

The purposes of keeping financial records include:

- making business decisions and plans;
- keeping track of revenues (money coming in);
- keeping track of expenses (money going out);
- preparing taxes and other business reports for government agencies;
- seeing which items are most profitable;
- determining profits;
- knowing how much cash is available to buy inventory; and
- comparing actual costs with budgeted costs.

Keeping financial records for a small bicycle store should not take more than a few hours a week. You as the owner do not need to do the bookkeeping. But you should thoroughly understand the system so you can get the information needed to plan and make decisions. You may need to do some studying in the areas of accounting and bookkeeping and get the advice of an accountant.

This unit discusses the sales slip, the work order, and the daily cash sheet. Other records might include payroll records, income tax records, and records grouped by type of expense. These records are periodically summarized and organized into forms that show how the business is doing, such as a balance sheet and a profit/loss statement.

Sales

To keep on top of sales, you will need answers to questions such as: (1) how many sales were made? (2) what types of items were sold and how many? and (3) what was the dollar amount of the sales?

Sales are usually recorded at the time of the sale when customers pay for their purchases. The salesperson will fill out a sales slip. These sales are rung up and recorded on a cash register. Sales slip receipts and cash register tapes form the basis of any bookkeeping system. This information will give you feedback on the total amount of sales for that day. The daily cash register totals are used to check the amount on the sales slips.

When a customer makes a purchase, he or she is given a sales slip. The sales slip provides the customer with proof of payment in case the customer wants to return the purchase. A second copy of the sales slip is kept at the store. This is one way to keep track of store inventory.

This is a copy of the sales slip that Ken and Nancy use.

SALES SLIP

Date July 13, 19XX

Customer G. Anderson

DESCRIPTION OF SALE	PRICE	
Royal Mini Mount X37	129	95
14", red, Serial No.		
T 48321		
Cash [X] Subtotal	129	95
Charge [ ] Sales Tax	6	50
TOTAL	136	45

For a bicycle sale, the sales slip will usually include the brand, model number, size, color, gears, and serial number, as shown in this example.

Credit Sales

Cash sales are paid for with cash or a check. A credit sale usually involves a payment that is delayed until some future billing date. Most bicycle stores accept major credit cards, such as Visa or MasterCard. Credit cards are a popular way of buying. The advantages of using a major credit card system are that: (1) it is a convenient service for the customer; (2) it reduces your risk of giving credit and not getting paid; and (3) your money is not tied up in debts and unpaid bills.

This credit plan usually costs you a service charge. But in return for paying the credit card company a percentage (usually 3% to 4%) of charged sales, you will receive immediate payment. You are not responsible for any credit investigation, billing, bookkeeping, or collection chores. However, as a store owner you will have to consider whether you can afford the services of a credit card company. You will have to decide whether this service will be a selling point in getting customers for your store.

Most business experts advise against opening your own store charge accounts. It requires a lot of work and effort, and it will tie up a large amount of money. You would have to approve credit for your customers. You would be responsible for billing, bookkeeping, and collecting payments.

Work Order

For repair work the store may use a sales slip or a work order form. The work order form can be useful in making a record of the work to be

done. It organizes who should do it and when. Below is a sample work order form filled out for a bicycle repair job.

WORK ORDER

FROM: Free Wheeling Bicycle Store
834 Main Street
Glendale

DATE: August 5, 19XX
WORK ORDER NUMBER: 75
ORDER TAKEN BY: Ken

WORK FOR: Mary Gonzales
3824 Elm Street
Glendale

START WORK ON: August 7
FINISH WORK ON: August 7

Person Doing Work	Description of Work	Total Cost
Jeff	Complete overhaul	$35.00

WORK FINISHED ON: _____
BY: _____

TOTAL COST (includes tax on parts) $35.00

There should also be a system for matching the bike with the work order, such as putting a tag with the work order number on the bike.

Daily Cash Sheet

A daily cash sheet such as the one below can be used to keep track of the money coming into and going out of a business each day. This form is only a sample; the system used will depend on the specific business.

Credit sales listed under cash receipts refers to money that comes in to pay for past credit sales. The daily cash sheet does not record the amount that is still owed the shop by charge customers.

DAILY CASH SHEET

Cash Receipts		Cash Payments	
Cash Sales	$ 300.00	Salaries	$ 500.00
Credit Sales	111.41	Building Expenses	
		Equipment and Furniture	200.00
		Inventory or Supplies	
		Advertising	
		Other (insurance)	156.25
TOTAL CASH RECEIPTS	$ 411.41	TOTAL CASH PAYMENTS	$ 856.25

In this sample for a particular day there was $411.41 in cash recepits and $856.25 in cash payments. These daily forms would be periodically summarized to determine the weekly or monthly cash position.

Summary

Keeping careful records can be key to the success of a bicycle store. The specific forms and system used should be designed to meet the needs of a particular business.

Learning Activities

Individual Activities

1. List four reasons for keeping financial records.

2. Fill out the sales slip below using this information. Fred Jones came into Free Wheeling Bicycle Store on June 5, 1981 and bought a basket for $10.95 and a tool bag for $5.49. The tax was 5%. He paid cash.

SALES SLIP

Date _____

Customer _____

DESCRIPTION OF SALE	PRICE	
Cash ☐	Subtotal	
Charge ☐	Sales Tax	
	TOTAL	

3. Complete this daily cash sheet using the information below regarding cash transactions in one day.

Transaction	Amount
Advertising in Yellow Pages	$100.00
Insurance Payment	85.00
Salaries	405.00
Collection on Credit Sales	432.50

DAILY CASH SHEET

Cash Receipts		Cash Payments	
Cash Sales	$_____	Salaries	$_____
Credit Sales	_____	Building Expenses	_____
		Equipment and Furniture	_____
		Inventory or Supplies	_____
		Advertising	_____
		Other	_____
TOTAL CASH RECEIPTS	$_____	TOTAL CASH PAYMENTS	$_____

4. What is a work order form and when is it used?

5. How could an adult in your local community get training in accounting or bookkeeping?

Discussion Questions

1. Do you think it is better for the owner of a bicycle store to keep all the financial records or to hire someone else to do it? Discuss.

2. Would you prefer a customer to pay in cash, by check, or by credit card? Why?

Group Activity

Make a list of the types of decisions Nancy and Ken need to make in their business in which it would be helpful to have information from financial records.

Unit 9

Keeping Your Bicycle Store Successful

Goal: To help you learn how to stay successful.

Objective 1: Given information about a store's income and expenses, figure out the net profit (before taxes), profit ratio, and expense ratio.

Objective 2: State ways to increase profits.

Objective 3: Suggest a way to change a business to increase sales.

KEN AND NANCY KEEP THEIR BICYCLE STORE SUCCESSFUL

Free Wheeling Bicycle Store has been in business for three years now. During the first year, the average monthly sales climbed steadily; they continued to grow at a slower rate in the second year. Nancy says, "The people in the local community know us now and come to us for bicycles and repairs. I think our business has leveled off and will continue at a fairly steady level. We're not getting rich off the store, but we didn't really expect to. We're making a good living, and we enjoy our work."

Ken adds, "It hasn't been easy, especially at first. We put in long hours and didn't do much else but run the store. And then there was the time we overbought on some slow-moving bikes and ran short of cash. I didn't sleep very well for a few nights there!"

Ken continues, "We're constantly thinking of ways to improve our service and better meet the needs of customers. I bought a van and have been using it to deliver bikes. Customers have been pleased with that service. Now we're reevaluating the bikes we carry. The sales of our major line, Royal, are strong, but our second line is slipping. The styles just aren't keeping up with the trends. We're considering adding a third brand and perhaps dropping the slow one. Right now we're deciding which brand to add to our inventory and how many to buy."

Keeping Your Bicycle Store Successful

A business must make a profit to continue. The amount of profit is one way to evaluate a business, but personal satisfaction should also be considered. This unit discusses profit and personal satisfaction, using a profit/loss statement, and ways to increase profits.

Profit and Personal Satisfaction

Many people start a small business hoping to make more money than they would if they were working for someone else. They take a risk with their money. Some people make a lot of money, some make an adequate living, and some do not make enough profit to stay in business. Different people are satisfied making different amounts of money from their business.

There are other considerations to being a small business owner. Some people like working for themselves. They may enjoy the independence, the challenge, or being able to make all the decisions. They are usually persistent, hard-working, and motivated. Other people don't like it, even when their business is profitable. They may not like the worries, responsibility, the long hours, or making so many decisions. So operating a small business is certainly not right for everyone; and being happy may be more important than making a large profit.

Keeping Track of Profits

Profit is the reward for your hard work. Net profit is defined as the amount left over from your revenues (sales) after all your business expenses have been paid. When you add all the figures over the whole

year, you will come up with a profit/loss statement. A profit/loss statement will tell you how much profit you have made over the year and the direction your business is taking from year to year.

Parts of a Profit/Loss Statement

The profit/loss statement consists of five main parts.

- Revenues: the money coming into your store from retail cash and credit sales.
- Cost of goods sold: the wholesale cost of your inventory (including transportation charges) that will be resold to your customers.
- Gross profit: the amount of money from retail sales after paying the wholesale costs of the items.
- Expenses: all the money you spent operating your business. This includes employees' salaries, rent, utilities, supplies, advertising, and so on.
- Net profit: the amount of money left over from your gross profit after all the store's expenses have been paid (Net Profit = Gross Profit - Expenses). Net profit in our example includes the owner's salary, taxes, money to repay loans, and money to invest in the store.

Store owners know how much they spend to buy their inventory. There are different methods for deciding how to value goods sold during a specific period of time. Following is the equation used to determine cost of goods sold, and an example.

Beginning inventory	$ 25,000
+ Purchases during the period	+ 100,000
Total available merchandise	125,000
- Ending Inventory	- 20,000
Cost of Goods Sold	$105,000

If you started with $25,000 worth of inventory and bought $100,000 during the year, you would have $125,000 of available merchandise to sell.

If you counted the inventory at the end of the year and had $20,000 worth of merchandise left, your cost of goods sold would be $105,000.

Here is an example of a P/L statement for Free Wheeling.

PROFIT/LOSS STATEMENT

	Year 2 $	Year 2 %
Revenues		
Cash Sales	40,000	
Credit Sales	60,000	
TOTAL	100,000	100%
Cost of Goods Sold	60,000	60%
Gross Profit	40,000	40%
Expenses		
Salaries	10,500	
Building Expenses	15,000	
Supplies	500	
Advertising	1,200	
Other	800	
TOTAL	28,000	28%
Net Profit (includes owner's salary and income tax)	12,000	12%

A profit ratio and an expense ratio can be computed from the information on the profit/loss statement. They show the percentage of profit and expenses to sales and are useful in comparing the performance of a business from year to year. They are computed as follows:

$$\text{Profit ratio} = \frac{\text{Net profit}}{\text{Revenues}}$$

$$\text{Expense ratio} = \frac{\text{Expenses}}{\text{Revenues}}$$

In Year 2 of Nancy and Ken's business, the profit ratio was 12%, and the expense ratio was 28%.

How to Increase Profits

You can increase profits by increasing the amount of money coming in or by decreasing expenses. It sounds easy, but it is often difficult to do!

The two ways to increase revenues are to increase prices and/or to increase the volume of business. Bicycle store owners usually focus on increasing the volume of business. How to do that will depend on the specific situation of the store. These are some ways to increase your business volume.

- Stock more desirable inventory.
- Specialize in more profitable products or services.
- Provide better service.
- Do more advertising.
- Find a better location.

These are some ways to decrease expenses.

- Reduce waste.
- Introduce more efficient procedures.
- Reduce expenses such as salaries, advertising, or rent.
- Carry less inventory.

Sometimes it is difficult to reduce expenses much without also reducing the quality of the services provided, which may lead to a loss of customers. Making business decisions requires good judgment.

Summary

A company must make a profit to stay in business. A profit/loss statement shows the owner how much profit there is and can be used to decide on areas where improvements can be made. Personal satisfaction, as well as profit, are important to the small business owner.

Learning Activities

Individual Activities

1. List four ways a bicycle store could increase sales.

2. List four ways a bicycle store could reduce expenses.

3. A bicycle store had $35,000 worth of merchandise at the beginning of the year and bought $150,000 of inventory during the year. At the end of the year the inventory was $40,000. What was the cost of goods sold for the year?

4. A bicycle store had $120,000 of sales during a year. The cost of goods sold was $75,000, and expenses were $30,000. What was the gross profit? What was the net profit?

5. A bicycle store has annual sales of $200,000. Expenses are $50,000, and net profit is $30,000. What is the expense ratio? What is the profit ratio?

Discussion Questions

1. A store was selling $200,000 worth of bikes a year at a profit ratio of 12%. To increase sales the owner started to carry less expensive bikes with a lower markup percentage. Sales increased to $300,000, and the profit ratio was 8%. Was the store more profitable the second year? Discuss the relationship between price, sales volume, and profit.

2. Two bicycle store owners figured out how much of their income came from selling bikes, from selling accessories, and from doing repair work. The breakdowns are listed below. Both stores had a total of $150,000 in annual sales, yet store B made more profit than store A. The expenses for both stores were about the same. How do you account for the difference in profits?

	Store A	Store B
Bike Sales	40%	30%
Accessory Sales	30%	50%
Repair Work	30%	20%

3. Suppose that a full-time employee of a bicycle store earns $10,000 a year. How much do you think the owner, who also works full-time in the store, should earn? Discuss.
   a. $8,000
   b. $10,000
   c. $10,000 to $15,000
   d. $15,000 to $25,000
   e. over $25,000

Group Activity

Following is a two-year profit/loss statement for the Free Wheeling Bicycle Store's second and third years in business. Compare the two years. How do you account for the difference in the profit ratio?

TWO-YEAR PROFIT/LOSS STATEMENT

	Year 2		Year 3	
	$	%	$	%
Revenues				
Cash Sales	40,000		50,000	
Credit Card Sales	60,000		75,000	
TOTAL	100,000	100%	125,000	100%
Cost of Goods Sold	60,000	60%	77,500	62%
Gross Profit	40,000	40%	47,500	38%
Expenses				
Salaries	10,500		10,000	
Building Expenses	15,000		16,000	
Supplies	500		500	
Advertising	1,200		1,500	
Other	800		1,000	
TOTAL	28,000	28%	29,000	23.2%
Net Profit	12,000	12%	18,500	14.8%

SUMMARY

Most communities have a neighborhood bicycle store that sells and repairs bikes. You need considerable capital to buy the inventory to start a bicycle store. But a well-managed store that is responsive to customer preferences can be successful. Other factors that influence a store's chances of success include general economic conditions and trends in bicycle usage. Favorable indicators for bicycling include increased fuel prices, concern with physical fitness, and interest in bicycle racing.

Starting your own bicycle store can be a rewarding challenge. Many people like working for themselves and being their own boss. Most bicycle store owners do not start a store expecting to make large amounts of money.

Working in a bicycle store would be good experience for someone considering owning a store someday. In order to own and operate a bicycle store you need skills in business management, bicycle repair, and sales. You can gain these skills through a combination of work experience and classes in distributive education, business management, and bicycle repair.

Operating a small business is not appropriate for everyone. It takes hard work and can be risky to start your own business. Many people prefer to work as an employee and to leave the details of managing the business to someone else. You should think about what is important to you in considering if you might like to start your own bicycle store.

QUIZ

1. Which is the least likely service of a bicycle store?
   a. Assemble bikes
   b. Rent bikes
   c. Repair bikes
   d. Sell bike accessories

2. List three personal qualities the owner of a bicycle store should have.
   a.
   b.
   c.

3. List a major advantage for a customer that a bike store has over a department store.

4. The legal requirements to operate a bicycle store may include:
   a. a business license.
   b. a sales tax permit.
   c. registration of a fictitious name.
   d. all of the above.

5. List the two major things to think about in deciding on the area in which to locate a bike shop.
   a.
   b.

6. Which location would be best for a bike shop?
   a. Downtown area, high rent
   b. Shopping center, high rent
   c. Business area, moderate rent
   d. Away from other stores, low rent

7. List the three kinds of information you must give to the bank in order to get a loan.
   a.
   b.
   c.

8. Jose Garcia is starting a bicycle store. He estimates his starting expenses will be $30,000. He has $15,000 to invest, and he borrowed $5,000 from his family. How much does he need to borrow?

9. Which of the following employees would be the best person to manage your bike store when you're gone?
   a. Someone who has done repair work
   b. Someone who has done sales
   c. Someone who has done both sales and repair work

10. List the five basic steps in selling merchandise.
   a.
   b.
   c.
   d.
   e.

11. The following people applied for a job at Wheel Away Bike Shop. Based on these interview notes, which person is least qualified?

    a. Daniel--25, experience in dry cleaning, sloppy appearance, previous employer says he needs constant supervision.
    b. Jason--18, high school graduate, mechanical interests, friendly.
    c. Lucille--23, has worked as a sales clerk for two years, pleasant appearance.
    d. Noreen--34, wants a part-time job, can work Saturday and Sunday.

12. What factor is least important in selecting suppliers for your store?

    a. Prices
    b. Reliability
    c. Location near your store
    d. Quality of the merchandise

13. A bicycle store owner ordered three bikes for $80 each and five bikes for $120 each. What was the total cost on the purchase order?

14. The selling price for a child's bike is $120, and the markup is 30%. What is the wholesale price for the bike?

15. Which is the best way to attract customers who know they want to buy a bike?

    a. Newspaper advertisement
    b. Attractive display window
    c. Yellow Pages of the telephone book
    d. Special letter to cycle club members

16. List the three most important things to include in an ad for a bicycle store.

    a.

    b.

    c.

17. A customer buys a bicycle seat for $10.95 and a shirt for $5.95. The tax is $1.02. How much is the total sale?

18. Which of the following information does a daily cash sheet include?

    a. Cash sales and payments

    b. Cash sales, payments, and profits

    c. Cash sales, payments, and debts

    d. Cash sales, payments, profits, and debts

19. Downtown Bicycle Store has sales of $250,000 for the year. The cost of goods sold is $125,000, and other expenses are $75,000. Compute the following:

    a. Net Profit =

    b. Profit Ratio =

    c. Expense Ratio =

20. List two main things a business can do to increase profits.

    a.

    b.

21. List two things a bicycle store can do to increase sales.

    a.

    b.

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PROJECT PRODUCTS

Entrepreneurship Training Components

Vocational Discipline	Module Number and Title
General	Module 1 - Getting Down to Business: What's It All About?
Agriculture	Module 2 - Farm Equipment Repair
	Module 3 - Tree Service
	Module 4 - Garden Center
	Module 5 - Fertilizer and Pesticide Service
	Module 6 - Dairy Farming
Marketing and Distribution	Module 7 - Apparel Store
	Module 8 - Specialty Food Store
	Module 9 - Travel Agency
	Module 10 - Bicycle Store
	Module 11 - Flower and Plant Store
	Module 12 - Business and Personal Service
	Module 13 - Innkeeping
Health	Module 14 - Nursing Service
	Module 15 - Wheelchair Transportation Service
	Module 16 - Health Spa
Business and Office	Module 17 - Answering Service
	Module 18 - Secretarial Service
	Module 19 - Bookkeeping Service
	Module 20 - Software Design Company
	Module 21 - Word Processing Service
Occupational Home Economics	Module 22 - Restaurant Business
	Module 23 - Day Care Center
	Module 24 - Housecleaning Service
	Module 25 - Sewing Service
	Module 26 - Home Attendant Service
Technical	Module 27 - Guard Service
	Module 28 - Pest Control Service
	Module 29 - Energy Specialist Service
Trades and Industry	Module 30 - Hair Styling Shop
	Module 31 - Auto Repair Shop
	Module 32 - Welding Business
	Module 33 - Construction Electrician Business
	Module 34 - Carpentry Business
	Module 35 - Plumbing Business
	Module 36 - Air Conditioning and Heating Service

Related Resources

Resource Guide of Existing Entrepreneurship Materials

Handbook on Utilization of the Entrepreneurship Training Components